

EXHIBIT 4
 DATE 3-28-07
 NO. 8

HOUSE BILL NO. 8

INTRODUCED BY D. KASTEN

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT APPROVING RENEWABLE RESOURCE PROJECTS AND
REGIONAL WATER PROJECTS AND AUTHORIZING LOANS; REAUTHORIZING RENEWABLE RESOURCE
 PROJECTS AUTHORIZED BY THE 59TH LEGISLATURE; APPROPRIATING MONEY TO THE DEPARTMENT
 OF NATURAL RESOURCES AND CONSERVATION FOR LOANS UNDER THE RENEWABLE RESOURCE
 GRANT AND LOAN PROGRAM; AUTHORIZING REGIONAL WATER PROJECTS AND PROVIDING AN
APPROPRIATION FOR THE PROJECTS; AUTHORIZING THE ISSUANCE OF COAL SEVERANCE TAX
 BONDS; AUTHORIZING THE CREATION OF A STATE DEBT AND APPROPRIATING COAL SEVERANCE
 TAXES FOR DEBT SERVICE; PLACING CERTAIN CONDITIONS UPON LOANS; AND PROVIDING AN
 EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Approval of renewable resource projects and authorization to provide**
loans. (1) The legislature finds that the renewable resource projects listed in this section meet the provisions of
 17-5-702. The department of natural resources and conservation is authorized to make loans to the political
 subdivisions of state government and local governments listed in subsections (2) ~~and (3)~~ THROUGH (5) in amounts
 not to exceed the loan amounts listed for each project from the proceeds of the bonds authorized in [section 3].

(2) The interest rate for the projects in this group is 4.5% or the rate at which the state bonds are sold,
 whichever is lower, for up to 20 years.

Loan	Amount
DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION	
Ackley Lake Dam Rehabilitation	\$200,000
East Fork Siphon Replacement and Main Canal Lining Project	\$400,000
Smith Creek Canal Seepage Abatement and Rehabilitation Project	\$50,000

(3) The interest rate for the loans in this group is 3% ~~or the rate at which the state bonds are sold,~~
~~whichever is lower,~~ for up to 20 years. These loans will be made to governmental entities to refinance

1 outstanding debt on or rehabilitation of either their water or wastewater facilities.

2 Loan Amount

3 DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

4 Refinance Existing Debt or Rehabilitation of Existing Water or Wastewater Facilities \$3,000,000

5 (4) THE INTEREST RATE FOR THE PROJECT IN THIS GROUP IS 4.5% OR THE RATE AT WHICH THE STATE BONDS
6 ARE SOLD, WHICHEVER IS LOWER, FOR UP TO 30 YEARS.

7 LOAN AMOUNT

8 SUNSET IRRIGATION DISTRICT

9 GRAVITY FLOW IRRIGATION PIPELINES \$1,465,266

10 (5) THE INTEREST RATE FOR THE PROJECT IN THIS GROUP IS 3% OR THE RATE AT WHICH THE STATE BONDS ARE
11 SOLD, WHICHEVER IS LOWER, FOR UP TO 30 YEARS.

12 LOAN AMOUNT

13 DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

14 EAST FORK SIPHON REPLACEMENT AND MAIN CANAL LINING PROJECT \$400,000

15

16 NEW SECTION. Section 2. Projects not completing requirements -- projects reauthorized. (1) The
17 legislature finds that the renewable resource projects in subsection (2) that were approved by the 59th legislature
18 in Chapter 309, Laws of 2005, may not complete the requirements necessary to obtain the loan funds prior to
19 June 30, 2007. The projects described in this section are reauthorized. The department of natural resources and
20 conservation is authorized to make loans to the state government agency and local government entity listed in
21 subsection (2) in amounts not to exceed the loan amounts listed for each project from the proceeds of the bonds
22 authorized in [section 3].

23 (2) The interest rate for the projects in this group is 4.5% or the rate at which the state bonds are sold,
24 whichever is lower, for up to 20 years.

25 Loan Amount

26 MILL CREEK IRRIGATION DISTRICT

27 Mill Lake Dam Rehabilitation \$572,000

28 DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

29 Martinsdale Dam Riprap Project \$90,000

30

1 **NEWSECTION. Section 3. Coal severance tax bonds authorized.** (1) The legislature finds that Title

2 17, chapter 5, part 7, provides for the issuance of coal severance tax bonds for financing specific approved
3 renewable resource projects as part of the state renewable resource grant and loan program. Available funds
4 from previous sales of coal severance tax bonds, plus any additional principal amount on bonds as may be
5 necessary, pursuant to the conditions in 85-1-605, to fund emergency loans, as authorized and approved in
6 accordance with 85-1-605(4), may also be used for the projects approved in [sections 1 through 7 8]. The board
7 of examiners is authorized to issue coal severance tax bonds in an amount not to exceed ~~\$7,541,269~~
8 ~~\$26,279,448~~, of which ~~\$4,312,000~~ \$5,777,266 is to be used to finance the projects approved in [sections 1 and
9 2], ~~\$2,543,699~~ \$2,658,596 is to be used to finance additional loans in lieu of grants listed in House Bill No. 6
10 ~~[LC0124]~~, \$15.4 MILLION IS TO BE USED TO FINANCE THE STATE SHARE OF CONSTRUCTION EXPENSES OF REGIONAL
11 WATER PROJECTS, and up to ~~\$685,570~~ \$2,443,586 is to be used to establish a reserve for the bonds. Proceeds
12 of the bonds are appropriated to the department of natural resources and conservation for financing the projects
13 identified in [sections 1 and 2] and may be used as authorized in 85-1-605(4). Loans made under 85-1-605(4)
14 must bear interest at the rate borne by the state bonds unless the legislature in a subsequent session provides
15 for a lower interest rate, in which case the rate must be reduced to the rate specified by the legislature.

16 (2) In connection with the issuance of coal severance tax bonds, the board of examiners may pay the
17 principal and interest on the bonds when due from the debt service account and in all other respects manage and
18 use the funds within each special bond account for the benefit of the bonds. The board of examiners shall
19 exercise its discretion to enhance the marketability of the bonds and to secure the most advantageous financial
20 arrangements for the state.

21 (3) Earnings on bond proceeds prior to the completion of any loan must be allocated to the debt service
22 account to pay the debt service on the bonds during this period. Earnings in excess of debt service, if any, must
23 be allocated to the renewable resource grant and loan program state special revenue account.

24 (4) Loan repayments from loans financed with coal severance tax bonds are pledged, dedicated, and
25 appropriated to the debt service account in the state treasury for the benefit of bonds approved for loans under
26 this section.

27
28 **NEWSECTION. Section 4. Conditions of loans.** (1) Disbursement of funds under [sections 1 through

29 7 6 AND 8] for loans is subject to the following conditions that must be met by project sponsors:

30 (a) approval of a scope of work and budget for the project by the department of natural resources and

1 conservation. Reductions in a scope of work or budget may not affect priority activities or improvements.

2 (b) documented commitment of other funds required for project completion;

3 (c) satisfactory completion of conditions described in the recommendations section of the project
4 narrative in the renewable resource grant and loan program project evaluations and recommendations report for
5 the biennium;

6 (d) execution of a loan agreement with the department; and

7 (e) accomplishment of other specific requirements considered necessary by the department to
8 accomplish the purpose of the loan as evidenced from the application to the department or from the proposal to
9 the legislature.

10 (2) Each sponsor authorized for a loan from coal severance tax bond proceeds may be required to pay
11 to the department a pro rata share of the bond issuance costs and the administrative costs incurred by the
12 department to complete the loan transaction.

13
14 **NEW SECTION. Section 5. Private and discount purchase of loans.** Loans to political subdivisions
15 and local government entities and bonds, warrants, and notes issued in evidence of the loans may be made,
16 purchased by, and sold to the department of natural resources and conservation at a discount and at a private
17 negotiated sale, notwithstanding the provisions of any other law applicable to political subdivisions or local
18 government entities.

19
20 **NEW SECTION. Section 6. Appropriation established.** For any entity of state government that
21 receives a loan under [sections 1 through 7 ~~6 AND~~ 8], an appropriation is established for the amount of the loan
22 upon award of the loan by the department of natural resources and conservation.

23
24 **NEW SECTION. SECTION 7. REGIONAL WATER PROJECTS -- CONDITIONS OF LOANS -- APPROPRIATION**
25 **ESTABLISHED. (1) THE REGIONAL WATER PROJECTS TO BE FUNDED WITH PROCEEDS OF THE BONDS AUTHORIZED IN**
26 **[SECTION 3] ARE PROJECTS FOR THE CONSTRUCTION, EXPANSION, OR IMPROVEMENT OF REGIONAL WATER SYSTEMS**
27 **ELIGIBLE TO RECEIVE FUNDING UNDER 90-6-715 TO THE EXTENT DETERMINED BY THE DEPARTMENT OF NATURAL**
28 **RESOURCES AND CONSERVATION.**

29 **(2) DISBURSEMENT OF PROCEEDS OF THE BONDS IS AUTHORIZED IN [SECTION 3] TO PAY CONSTRUCTION**
30 **EXPENSES FOR AN ELIGIBLE REGIONAL WATER PROJECT SUBJECT TO THE FOLLOWING CONDITIONS, WHICH MUST BE MET**

1 BY THE REGIONAL WATER AUTHORITY OR OTHER GOVERNMENTAL ENTITY OWNING THE REGIONAL WATER SYSTEM:

2 (A) APPROVAL OF A SCOPE OF WORK AND BUDGET FOR THE PROJECT BY THE DEPARTMENT OF NATURAL
3 RESOURCES AND CONSERVATION. REDUCTIONS IN A SCOPE OF WORK OR BUDGET MAY NOT AFFECT PRIORITY ACTIVITIES
4 OR IMPROVEMENTS.

5 (B) DOCUMENTED COMMITMENT OF OTHER FUNDS REQUIRED FOR PROJECT COMPLETION.

6 (3) AN APPROPRIATION IS ESTABLISHED FOR THE AMOUNT AWARDED TO A REGIONAL WATER PROJECT FUNDED
7 PURSUANT TO THIS SECTION.

8
9 NEWSECTION. Section 8. Creation of state debt -- appropriation of coal severance tax -- bonding
10 provisions. (1) Because [section 3] authorizes the creation of a state debt, a vote of two-thirds of the members
11 of each house is required for enactment of [section 3].

12 (2) The legislature, through the enactment of [sections 1 through 7 8] by a vote of three-fourths of the
13 members of each house of the legislature, as required by Article IX, section 5, of the Montana constitution,
14 pledges, dedicates, and appropriates from the coal severance tax bond fund all money necessary for the payment
15 of principal and interest not otherwise provided for on the coal severance tax bonds authorized by [section 3] to
16 be issued pursuant to Title 17, chapter 5, part 7, and pursuant to the provisions of [sections 1 through 7 8] and
17 the general resolution for this bond program that has been adopted by the board of examiners under the authority
18 provided in Title 17, chapter 5, part 7.

19 (3) THE LEGISLATURE DOES NOT PLEDGE ANY REVENUE, ASSETS, OR MONEY FROM ANY REGIONAL WATER
20 PROJECT FUNDED BY THE COAL SEVERANCE TAX BONDS AUTHORIZED IN THIS SECTION OR FROM ANY OTHER SOURCE TO
21 PAY DEBT SERVICE ON THE BONDS, OTHER THAN THE COAL SEVERANCE TAX BOND FUND. THE LEGISLATURE MAY AT ITS
22 DISCRETION APPROPRIATE TO THE PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS AUTHORIZED IN THIS SECTION
23 FOR REGIONAL WATER PROJECTS PAYABLE IN A FISCAL YEAR ANY AVAILABLE FUNDS IN THE TREASURE STATE ENDOWMENT
24 REGIONAL WATER SYSTEM SPECIAL REVENUE ACCOUNT ESTABLISHED IN 90-6-715. SUBJECT TO THE LIMITATIONS IN
25 90-6-715, FUNDS IN THE TREASURE STATE ENDOWMENT REGIONAL WATER SYSTEM SPECIAL REVENUE ACCOUNT ARE
26 SUBJECT TO APPROPRIATION FOR OTHER PURPOSES BY THE LEGISLATURE AND ARE NOT RESERVED TO PAY DEBT SERVICE
27 ON THE BONDS AUTHORIZED IN THIS SECTION FOR REGIONAL WATER PROJECTS.

28
29 NEWSECTION. SECTION 9. CONTINGENT VOIDNESS. IF HOUSE BILL NO. 805, HOUSE BILL NO. 806, HOUSE
30 BILL NO. 807, HOUSE BILL NO. 808, HOUSE BILL NO. 809, HOUSE BILL NO. 818, HOUSE BILL NO. 819, AND HOUSE BILL

1 NO. 820 ARE NOT PASSED AND APPROVED, THEN [THIS ACT] IS VOID.

2

3 NEW SECTION. **Section 10. Severability.** If a part of [this act] is invalid, all valid parts that are
4 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,
5 the part remains in effect in all valid applications that are severable from the invalid applications.

6

7 NEW SECTION. **Section 11. Effective date.** [This act] is effective July 1, 2007.

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